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EXCISE

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DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY CJ DATE 8/7/81
PORTIONS DENIED AS INDICATED

45-42
ACTION AF-05

INFO OCT-01 SS-20 E-02 L-02 ~~INR-06~~ ~~CIAE-00~~ NSAE-00 NSC-10

NSCE-00 COM-02 INT-01 TRSY-06 RSR-01 RSC-01 EUR-12

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R 081539Z JUL 70
FM AMEMBASSY TRIPOLI
TO SECSTATE WASHDC 6562
INFO USINT ALGIERS
AMEMBASSY BENGHAZI
AMEMBASSY BONN
AMEMBASSY LONDON

C O N F I D E N T I A L TRIPOLI 1594

LIMDIS

SUBJ: POSTED PRICE NEGOTIATIONS

REF: TRIPOLI 1557

1. ESSO [redacted] BRIEFED EMBASSY ON DETAILS OF LAST ROUND OF PRICE NEGOTIATIONS. ESSO MET WITH LARG POSTED PRICE COMMITTEE JULY 1. IN RESPONSE TO COMMITTEE'S POSITION THAT NEXT MOVE WAS ESSO'S, [redacted] OFFER TO RAISE POSTED PRICE BY 7 CENTS, ACCOMPANIED BY 3-CENT TAX ALLOWANCE (TRIPOLI 1539), TO 10-CENT HIGHER POSTING ($2.31 FOR 39 DEGREE CRUDE) WITH 5-CENT TAX ALLOWANCE. [redacted] HIGHER POSTING WOULD BE EFFECTIVE UPON ANNOUNCEMENT AND THAT ESSO WAS OFFERING NO RETROACTIVITY. [redacted] OFFERED TO PHASE-OUT TAX ALLOWANCE [redacted] ARKET CONDITIONS WARRANT, WITH ALLOWANCE TO BE ELIMINATED [redacted] 1975. PROPOSAL CONDITIONED UPON LARG'S RECOGNITION OF LNG EXPORT AGREEMENT, UNDERSTANDING ON APPLICABILITY OF REGULATION 8 AND QUIT CLAIM FOR 1965-69 TAX AND ROYALTY PAYMENTS -- AS WAS ORIGINAL ESSO OFFER (TRIPOLI 1439, PARA 4). [redacted] STRESSED THAT 10-CENT INCREASE WAS [redacted] MAXIMUM OFFER AND ECONOMIC LIMIT. PRICE COMMITTEE CHAIRMAN MAGHRABI REPLIED THAT OFFER WAS INADEQUATE AND OBJECTED, ON PRINCIPLE, TO TYING PRICE SETTLEMENT TO RESOLUTION OF OTHER IS-

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TRIPOLI 1594, 7-3-70

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SUES. HE ALSO VIEWED MAKING OFFER EFFECTIVE FROM DATE OF ANNOUNCEMENT AS EFFORT TO HASTEN COMMITTEE'S WORK, WHICH HE REJECTED AS CONTRARY TO NECESSITY FOR
CAREFUL STUDY OF PRICE MATTER. MEETING
CONCLUDED AMICABLY.

2. ON JULY 2, ESSO REP CONTACTED COMMITTEE MEMBER MUNTASIR TO DETERMINE COMMITTEE'S FURTHER REACTION TO ESSO'S PROPOSAL. ESSO REP TOLD MUNTASIR COMPANY HAD ESCALATED ITS OFFERS SLOWLY TO AVOID MISLEADING COMMITTEE ABOUT DEGREE OF FLEXIBILITY IT HAD AND HAD TABLED ITS MAXIMUM OFFER IN RESPONSE TO COMMITTEE'S INSISTENCE, BUT WITH CONSIDERABLE MISGIVING BECAUSE OF LARG DIFFERENCE REMAINING BETWEEN TWO SIDES. BRIDGING THIS GAP NOW WAS UP TO COMMITTEE. MUNTASIR REPLIED ESSO'S MISGIVING UNJUSTIFIED, FOR IF COMMITTEE DID NOT CONSIDER AMICABLE SETTLEMENT POSSIBLE IT WOULD HAVE IMPOSED PRICE INCREASE AND TAKEN OVER COMPANIES AS ALGERIA HAD DONE. BUT LARG
HAD NEVER CONSIDERED SUCH ACTION AND STILL BELIEVED MUTUALLY ACCEPTABLE SOLUTION COULD
BE REACHED "SOON." MUNTASIR SAID ONLY
REMAINING PROBLEM IS FOR COMMITTEE TO BE CONVINCED OF "WHAT RIGHT AMOUNT OF INCREASE REALLY IS." HE ADDED PRICE COMMITTEE STILL HAD MUCH TO DO. IT WOULD SCHEDULE ANOTHER MEETING WITH ESSO SHORTLY AND ALSO HAD TO DEAL WITH DIFFERENT CIRCUMSTANCES OF COMPANIES, SUCH AS PRODUCTION OF HIGH-POUR VERSUS ESSO'S LOW-POUR CRUDE AND BP BEING CRUDE LONG (NET SELLER) WORLDWIDE, WHILE IT CONTROLLED LARGEST FIELD IN LIBYA.

3. EMBASSY HAS CONFIRMED WITH OCCIDENTAL [redacted] TERMS OF OFFER IT MADE JUNE 30. THESE WERE: "1CENT INCREASE FOR 1970 RAISING BY 2 CENTS IN 1971 AND 72. [redacted] COMMITTEE HAD NOT RETREATED FROM ITSORIGINAL DEMAND IN LAST MEETING WITH OXY AS THAT BALL WAS IN ITS COURT. B4

4. COMMENT. IT IS DOUBTFUL PRICE COMMITTEE IS CONVINCED THAT 10-CENT INCREASE IS ESSO'S LIMIT. CERTAINLY COMMITTEE HAS DETECTED "GIVE" IN ESSO'S TAX ALLOWANCE DEMAND. MAGHRABI DID NOT EVEN ARGUE FOR RETROACTIVITY IN LAST ESSO MEETING, AS HE ALMOST CERTAINLY WILL DO, AND PUT OFF UNTIL FUTURE SESSIONS WHATEVER ADDITIONAL CONCESSIONS HE MAY BE PREPARED TO OFFER. LIBYANS ARE AWARE OF IMPACT ON CRUDE AND TANKER MARKETS OF REDUCTION IN SUPPLIES AT MEDITERRANEAN TERMINALS AND MAY BELIEVE MARKET PRESSURES ARE WORKING

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TO THEIR ADVANTAGE IN NEGOTIATIONS.

5. SUNTASIR'S REMARKS SUGGEST NEGOTIATIONS WITH OTHER COMPANIES WILL BEGIN WHEN COMMITTEE CONCLUDES IT HAS PUSHED ESSO AND OCCIDENTAL AS FAR AS THEY PRESENTLY ARE PREPARED TO GO - WHICH WILL OPEN OPPORTUNITY TO PLAY ONE SET OF COMPANY INTERESTS AGAINST ANOTHER. MUNTASIR'S COMMENT ABOUT BP RAISES POSSIBILITY LARG MAY SEEK TO OFFSET SOME OF ITS PRODUCTION CUTS, OF WHICH MORE PROBABLY ARE YET TO COME, BY PRESSING COMPANIES WITH LARGE RESERVES, E. G., BP AND OASIS, TO PRODUCE MORE FROM SOME FIELDS, EITHER FOR LIFTING BY OWNERS OR FOR LARG ACCOUNT A LA IRAN. IN ANY CASE, BOTH BP AND OASIS PIPELINES ARE FULL AND SUBSTANTIAL NEW INVESTMENT WOULD BE REQUIRED TO INCREASE THEIR PRODUCTION CAPACITY.

6. WHATEVER LARG'S TACTICS MAY PROVE TO BE, RANGE OF POSSIBILITIES IS WIDE, AND PRICE COMMITTEE CURRENTLY SEEMS TO BE TREATING NEGOTIATIONS WITH LESS URGENCY AND WITH SOMEWHAT GREATER FLEXIBILITY THAN IN RECENT PAST. GP-4.
PALMER

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